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CONTENTS

Chairman: Mr. Moraiwid M. TELL (Jordan).

AGENDA ITEM 38

Establishment of a United Nations capital development fund: report of the Committee on a United Nations Capital Development Fund (continued)* (A/6303/Add.1, chap. II; A/6418, A/6459, A/C.2/L.910, A/C.2/L.913)

1. Mr. VILFAN (Yugoslavia) recalled that, in response to the efforts made by the developing countries to accelerate the attainment of goals pursued by all States, the General Assembly had decided six years ago, in its resolution 1521 (XV), to establish a capital development fund; subsequent developments had in no way lessened the need for such a measure, for it was in the matter of financing that the situation was now most serious. That was borne out by all the documents before the Second Committee and the statements which it had heard since the beginning of the session. As there was no need to go over the same ground, he would confine himself to two aspects of the problem.

2. One of the arguments against the establishment of a capital development fund was that there were already a number of multilateral sources of financing; however, the growing seriousness of the situation proved that it was not the number of financial institutions but the nature of their operations that counted; in the view of his delegation, the United Nations machinery for financial assistance would not be complete until its operations extended to investments. The International Bank for Reconstruction and Development and its affiliates played an important role in that connexion, but its resources were applied almost exclusively to infra-structure and were provided on the usual terms for credit. The establishment of a capital development fund, free from those restrictive conditions and making grants and long-term, interest-free loans, would enable the developing countries to diversify their economies and, in particular, to accelerate their industrialization; it would give international co-operation a new dimension by establishing an impartial intermediary between developing and developed countries, free from political considerations. Throughout the sixteen years during which the establishment of a capital development fund had been under discussion, the developing countries had shown abundant goodwill and had explored all avenues of agreement; they had even agreed to the possibility that the United Nations might undertake investment operations through the Special Fund component of the United Nations Development Programme (UNDP), a solution advocated by a number of developed countries.

3. However, the transformation of the activities of that body—and that was the second point which he wished to stress—would be useless unless it was accompanied by an increase in its funds, for those now available to it were not sufficient to enable it to carry out its programmes as it was, and technical progress was bound to add to the needs arising in connexion with its present activities. His delegation therefore thought that the establishment of a capital development fund was imperative, particularly after the establishment of the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Industrial Development Organization (UNIDO).

4. In view of the vast changes which had taken place in the Committee over the past few years, his delegation had sincerely hoped that there would be a change in the position of the developed countries with regard to the establishment of a capital development fund. That hope thad been dashed by the discussion on the preceding day, notably the remarks made by the United States representative at the 1083rd meeting. Nevertheless, he thought that draft resolution A/C.2/L.910 should be put to the vote, not in order to force a confrontation between developing and developed countries but, rather, to make the membership as a whole face up to present reality. Obviously, the draft would not win general agreement, but it was to be hoped that it would command the support of a large majority.

5. Mr. SAHLOUL (Sudan) announced that the delegations of the United Republic of Tanzania and of Zambia were co-sponsoring draft resolution A/C.2/L.910.

6. Mr. WOULBROUN (Belgium) said he regretted that he could not offer the Yugoslav delegation any encouragement, for his Government was opposed to the establishment of a capital development fund and to any immediate or gradual transformation of UNDP which would lead that body to engage in investment operations. The arguments put forward in that connexion fifteen years ago were even more valid now, for a capital development fund would duplicate the efforts not only of the World Bank group but also of the new regional development banks which, thanks to their knowledge of local conditions, could play a major

*Resumed from the 1083rd meeting.

role; it would be a mistake to jeopardize the results of that last experiment by taking a step which might result in the dispersal of funds and thus limit the resources available to the new banks. The establishment of a capital development fund was unlikely to swell development funds and might, by increasing administrative overhead, reduce the funds for pre-investment and technical assistance. To set up new secretariats would only entail further expenditure, whereas, given the present financial situation of the United Nations, it was imperative to curb the proliferation of institutions. It would be inconsistent for the Committee to recommend the establishment of a new body when it had just approved (1073rd meeting) a draft resolution instructing a Committee to study the ways and means of concentrating resources with a view to making the work of the United Nations more effective and relatively less costly.

7. It was precisely in the area of development aid that the activities of the United Nations were best organized. The Special Fund component of the UNDP was in continuous consultation with the World Bank and, according to its directors, its pre-investment activities, which were specifically intended for that purpose, often led to ulterior investments ten to forty times higher than the amounts spent on pre-investment surveys. Moreover, a capital development fund would in part duplicate the activities of the newly established UNIDO. Finally, the new activities of the Special Fund component of the UNDP concerned with the financing of pilot plants in the developing countries was a new experiment which should not be tampered with. A gradual transformation of UNDP would not solve the problem of development financing, for hundreds of millions of dollars would be required annually to produce really practical results.

8. The adoption of draft resolution A/C.2/L.910, without the support of the major aid-giving countries, would be an empty victory and its sole result would be the establishment of a new secretariat doomed to inactivity. It might also promote disaffection in some quarters with regard to the United Nations and even a reduction in the amount of voluntary contributions.

9. The Yugoslav representatives had rightly said that everything had been done to bring about the establishment of a capital development fund. Nothing more could be done until such time as the Secretary-General might be able to inform the General Assembly and the Economic and Social Council that the major aid-giving countries had changed their position and were ready to make voluntary contributions towards financing through a United Nations body. Failing such a change of basic position, the establishment of a capital development fund would in no way further the cause of economic development, a cause in which all States Members equally believed and to which Belgium, in particular, was giving tangible proof of its attachment.

10. Mr. HUSSEIN (United Arab Republic) said that in the view of his delegation, which had followed the work of the Committee on a United Nations Capital Development Fund very closely, the establishment of such a body would not constitute proliferation as long as the developing countries' capacity to absorb capital was greater than the volume of resources provided by existing institutions. Furthermore, those institutions, as now constituted, were unable to provide development financing on satisfactory terms. Finally, the gradual transformation of UNDP along lines which would enable it to engage in investment operations was impossible in view of its present resources.

11. It was therefore necessary, without reducing the funds currently available to the multilateral financing institutions, to accumulate additional resources for an institution which would have a less traditional structure than that of the existing organizations and would be better able to serve the needs of the developing countries. The cogency of those compelling arguments was generally recognized by all, but the developed countries had unfortunately not yet realized the implications of the conclusions to which they led. Acutally the disagreement centred not so much on the need for the United Nations to engage in investment operations as on the way in which such action should be carried out.

12. U THET TUN (Burma) said he was somewhat discouraged to find himself in 1966 among the sponsors of a draft resolution requesting the establishment of a capital development fund, when eight years previously he had joined in the appeal of the developing countries for the establishment of a Special United Nations Fund for Economic Development and eight years before that his predecessor had supported a similar appeal. When in 1958, at the suggestion of certain developed countries, the developing countries had agreed to the establishment of a pre-investment institution, namely the Special Fund (General Assembly resolution 1240 (XIII)), it was partly because they understood the need for it, but also because they believed that the principle of the creation of a truly multilateral institution for financing had been accepted and that its establishment was only a matter of time. However, the establishment of the International Development Association (IDA) as an affiliate of the World Bank to make loans for infrastructure development on favourable terms had represented a triumph of the bilateral and limited multilateral approaches in the field of capital transfer to the developing countries. It had ensured the preponderance of private investment, for which the pre-investment activities of the Special Fund and the infra-structure investments of IDA were to pave the way, in disregard of the desires of many developing countries which did not consider private foreign investment to be an appropriate instrument for economic progress. The long-term effect of those decisions, far from lessening international political tensions, had been, on the contrary, to prolong them.

13. When the developed countries argued at the present time that sufficient resources to ensure the functioning of a capital development fund were not available—and that such a fund would, moreover, increase administrative costs—it was because the resources which should be used for development were being put to other uses precisely because of those political tensions, which the growing gap in living standards between the developed and developing countries could only intensify. The argument that regional development banks, together with the World Bank group, were sufficient to complete the international machinery for capital transfers was not valid, for

those institutions were not fully multilateral and were therefore sensitive to political tensions which were more obvious at the regional than at the world level. In his delegation's view, the only way to break that vicious circle was to establish a truly multilateral capital development fund; only an institution of that kind could put an end to the competition which at the present time was making any real co-operation impossible.

14. The transformation, gradual or otherwise, of UNDP into a capital development fund might divert resources which it needed for its pre-investment activities. Moreover, such a transformation might, from the administrative point of view, be extremely difficult and slow, for even the merger of the Special Fund and the Expanded Programme of Technical Assistance (EPTA) had not been completed in the real sense, and might very well defeat the purposes it set out to achieve.

15. In conclusion, he considered that lack of resources was, rather, a long-term argument in favour of the establishment of an institution for distributing international financial resources in a truly multilateral way, or, in other words, in favour of the establishment of a separate capital development fund rather than the transformation of an existing institution.

16. Mr. SVENNEVIG (Norway) said that the time had come to examine the development of the situation from the time when the General Assembly had decided in principle to establish a capital development fund. In his delegation's opinion, the situation had developed considerably. The International Development Association, established in 1960, had a current membership of about eighty countries—the majority of those in a position to benefit from the creation of a capital development fund. The International Development Association, which had started its operations with $150 million, now had $250 million a year at its disposal and hoped to attain the objective of $1,000 million. His country intended in the future to give high priority to its contributions to IDA, with a view to keeping Norway's relative share in the contributions constant.

17. Secondly, regional development banks had been created by the developing countries and the most recent, the Asian Development Bank, had been financed in part by non-members of the region. Norway had decided to place a substantial part of its grants for development at the disposal of that Bank and had been the first of the non-regional countries to ratify the Bank's Articles of Agreement. Its share of $5 million was the largest, per capita, of any of the non-regional countries. The Norwegian delegation was convinced that regional development banks would fill part of the need of the developing countries for financing.

18. Thirdly, UNDP had recently extended its activities to the financing of pilot projects with a view to lessening the gap between the completion of some of its pre-investment studies and the financing proper of the projects. That positive development should be continued in a pragmatic way. Furthermore, the aim of a $200 million annual total of contributions to UNDP had not been reached and that institution could usefully spend more on its current activities, which would undoubtedly be extended with the creation of UNIDO.

19. The Norwegian delegation considered, therefore, that it was important to consolidate the new United Nations organs and to provide them with adequate resources before creating new ones or giving the existing agencies new tasks. At the forty-first session of the Economic and Social Council, the Under-Secretary for Economic and Social Affairs (1431st meeting) had judiciously underlined the inadequacy of the resources in comparison with the growing diversification of the machinery for multilateral aid, and had stressed the need for the Council and the General Assembly to take decisions in co-operation so as to avoid a possible decline of some potentially useful institutions and certain arrangements the need for which had been recognized. Furthermore, in the foreword by the Secretary-General to the budget estimates for 1967,[1] he warned against the creation of new autonomous units, which might have the adverse effect of pitting one segment of the Secretariat against another in competition for the necessary financial and political support for its own work programmes to the detriment of the effective use of existing resources. It was surprising that after the adoption of a draft resolution on a general review of United Nations machinery in the economic and social field (1073rd meeting), the creation of a capital development fund should be proposed without waiting for the recommendations of the Committee for Programme and Co-ordination responsible for making that review. It was even more surprising in that the need for the establishment of a capital development fund did not seem to have been proven: there was a lack of resources rather than of institutions. Contrary to the belief of some, an increase in the number of institutions would not necessarily increase the volume of contributions and would hardly do anything—in Norway, at any rate—to mobilize the support of public opinion. Moreover, an increase in administrative expenditure would decrease the percentage of funds going into real operational activity.

20. In view of the foregoing considerations, the Norwegian Government did not think that the creation of a new organ was desirable; it already channelled two thirds of its development aid through multilateral institutions and it would continue to put its resources at the disposal of the existing agencies. Its disagreement was not on the need for increasing development aid, but on the means to be employed to that end. A new institution should not be created without the agreement of all the groups of countries, as had been the case with the establishment of UNIDO. In view of the position of the traditional donor countries, which were expected to provide the main contributions according to paragraph 4 (c) of Article IV of the draft statute (A/C.2/L.910), his delegation urged the sponsors to consider whether it would not be wiser not to put that draft to the vote now.

21. On the other hand, the draft resolution submitted by the Netherlands delegation (A/C.2/L.913), constituted a reasonable alternative, for while it was undesirable for UNDP to undertake investment

[1] Official Records of the General Assembly, Twenty-first Session Supplement No. 5.

activities with the means it had at present, such a possibility should be kept under constant review in the light of the funds available, the experience gained with pilot projects and the number of requests for pre-investment assistance. The Norwegian delegation would, therefore, support the Netherlands draft resolution.

22. Mr. VIAUD (France) said that the French Government would not participate in the establishment of a capital development fund, should the General Assembly decide to establish one. The French delegation found it inadmissible and against all the traditions of the Organization to make the administrative expenses mentioned in article IV of the draft statutes chargeable to the regular budget of the United Nations.

23. It was surprising that draft resolution A/C.2/L.910 should have been circulated before prior contacts had revealed the possibility of agreement. The hostility of the principal donor countries to the creation of a capital development fund had been well known, and the sponsors of the draft had known that it stood no chance of being accepted by the countries which alone could make it a reality. The scarcity of resources mentioned by some people in that connexion was not an entirely satisfactory argument, since it was in fact always possible to transfer funds earmarked for bilateral aid to a multilateral programme. That was, however, a political decision, and a transfer of that kind was not yet accepted by a number of Governments, including the French Government. In view of the lack of mutual consent, the adoption of the draft resolution under consideration would mean that a number of countries were ready to create a capital development fund among themselves. The French Government had no thought of stopping them, although it might not be possible to put such plans into effect. The sponsors of the draft resolution would be wise to withdraw their text.

24. With regard to the draft resolution submitted by the Netherlands delegation, he recalled that France had abstained in the vote on recommendation A.IV.8 of UNCTAD,[2] and he announced that his delegation would consequently abstain in the vote on the Netherlands draft. In the absence of resources and of agreement on the role and objectives of a transformed Special Fund, the question could not be considered ripe for study. The French delegation was ready to go to the limit of pre-investment as such. The intermediary activities between investment and pre-investment which France was prepared to undertake could hasten the gradual transformation of the Special Fund element of the UNDP. A special resolution of the General Assembly did not seem necessary in that connexion.

Mr. Boiko (Ukrainian Soviet Socialist Republic), Vice-Chairman, took the Chair.

25. Mr. ABE (Japan) recalled that his Government's position was already reflected in paragraph 10 of the report on the fifth session of the Committee on a United Nations Capital Development Fund (A/6418). His delegation's opposition did not mean that it was opposed to expanding the scope of multilateral assistance or to increasing the flow of capital to the developing countries. The Japanese Government had just demonstrated its determination to promote the development of multilateral financing agencies by contributing $200 million to the Asian Development Bank which, with its sister institutions in Latin America and Africa, would complement the activities of the World Bank. If the pre-investment activities of the Special Fund component of the UNDP were considered also, one had to agree with the representative of Norway that there was a financial, not an institutional gap in arrangements to meet the needs of the developing countries. The Japanese Government was aware of the need to grant more loans on soft terms because of the growing debt-servicing burden on the developing countries, and of the urgency of replenishing IDA, and was prepared to co-operate with the other developed countries in finding a satisfactory arrangement. However, although it wanted to continue strengthening the existing institutions for multilateral assistance, Japan could not support the creation of a new organization which would only duplicate the others.

26. His delegation would therefore vote against draft resolution A/C.2/L.910, if it was put to a vote, and it was also unable to support draft resolution A/C.2/L.913. As the Administrator of UNDP pointed out at the second session of the Governing Council, it would be impossible and inadvisable, in view of the increasing demand for funds created by the need to intensify the technical assistance and pre-investment activities of UNDP, to implement UNCTAD recommendation A.IV.8 concerning the transformation of the Special Fund component of the UNDP into a capital development fund without affecting the existing activities of UNDP.

27. Mr. INGRAM (Australia) recalled that Australia had opposed the creation of a capital development fund for years. However, draft resolution A/C.2/L.910 introduced a new element in that it brought the administrative expenses of the proposed Fund under the regular budget of the United Nations, which would oblige Governments that were not prepared to make voluntary contributions to cover the expenses for operational activities to participate automatically in the financing of the administrative expenses, whereas UNCTAD recommendation A.IV.7 specified that the resources of the capital development fund should be derived from voluntary contributions. Such a measure of coercion would be unprecedented in the annals of the United Nations and would eliminate the freedom of choice of sovereign Governments. For that reason, the Australian delegation would vote against the draft resolution. Indeed, it would not be in the interest of the developing countries to put the draft resolution to a vote. It was unlikely that the fund would obtain sizable resources in a usable form, even if all the countries which had voted in favour of UNCTAD recommendation A.IV.7 made a contribution. So long as its resources were limited, it would be difficult for the fund to maintain a reasonable geographical balance in allocations, as envisaged in paragraph 4 (b) of article VI of the draft statute; if it was to adhere to that provision, it would at the outset be faced with innumerable political problems. It was true that the question of a capital development fund had been under

[2] See Proceedings of the United Nations Conference on Trade and Development, vol. I: Final Act and Report (United Nations publication, Sales No.: 64.II.B.11).

consideration for sixteen years, but it should also be recognized that the position had changed since and that, in particular, the structure of the multilateral institutions had been altered.

28. Australia, for its part, was trying to help the developing countries in various ways, as it had just shown by its contribution of $85 million to the new Asian Development Bank which, in conjunction with the World Bank group and other regional banks, would strive to lighten the debt-servicing burden of the developing countries and to encourage the execution of industrial projects.

29. Australia was also opposed to the transformation of the Special Fund component of the UNDP into a capital development fund. That would be a premature step, especially at a time when there was still a shortfall of $30 million in the UNDP pre-investment and technical assistance budget for 1967. It was already expected that, if no additional resources were forthcoming, UNDP would be obliged to approve fewer projects in 1967 than in 1966. It was therefore impossible, in that situation, to remove from the inadequate resources of UNDP funds which would be devoted to actual investment activities. That was why the Australian delegation would be unable to support the Netherlands draft resolution (A/C.2/L.913).

30. Mr. VARELA (Panama) thought that the creation of a capital development fund as a third panel of UNDP was not advisable because it would disperse resources needed for the technical assistance and pre-investment activities which were so important for the developing countries. The United Nations Development Programme currently had 3,000 projects totalling $1,500 million and benefiting 150 countries or territories all over the world; on the basis of pre-investment surveys, investments totalling $1,200 million had been made in twenty-seven Special Fund sector projects. In addition, the World Bank was co-operating more and more closely with UNDP, and it was prepared to finance investments in a large number of projects whose technical and economic feasibility had been established by the training of personnel and by pre-investment work. It was, however, disturbing to note that the pledges for 1967 did not meet the target of $200 million fixed by the General Assembly, which might prevent UNDP from performing the task it had set itself; indeed, even if the target was met, fewer projects would be approved in 1967 than in 1966. A large number of projects, duly prepared with the assistance of United Nations experts, had not been approved by UNDP. Yet it was to be expected that the number of requests for assistance would grow as the developing countries became increasingly aware of the need to train more personnel and to execute a greater number of economically feasible projects. If it was decided to push UNDP into investment activities other than pilot projects, funds already inadequate for current needs would simply be dispersed.

31. His delegation would vote for draft resolution A/C.2/L.910. If the capital development fund could not function because of the lack of resources, the possibility of a graduated tax on the national income of Member States should be considered. That would be the only possible solution, if the leaders of the industrialized countries were not willing to face up to the needs of the developing countries and if the gap between rich and poor countries continued to widen, with all the risks of political conflict which that implied.

32. Mr. OLSEN (Denmark) said he was opposed to draft resolution A/C.2/L.910 because of the harmful effect the establishment of a capital development fund might have on other multilateral institutions, such as UNDP and IDA, and on the adoption of a plan for supplementary financing. His country was also opposed to the draft because it dealt separately with the question of a capital development fund. The United Nations Development Programme had been authorized to finance pilot projects, and that trend should be strengthened. For that reason, his country favoured the gradual transformation of the Special Fund component of the UNDP into a capital development fund, and would therefore support draft resolution A/C.2/L.913. On a practical level, it intended to increase its contribution to UNDP in 1967 by $2 million, thereby bringing it up to $8.5 million.

33. Mr. BILLNER (Sweden) shared the doubts expressed by the Danish representative as to the wisdom of a decision which might adversely affect the activities of other United Nations institutions for financial assistance and the negotiations concerning supplementary financing. As it was obvious that the main donor countries were not at present prepared to finance a capital development fund, it would not be realistic for the developing countries to press for the adoption of draft resolution A/C.2/L.910. For those reasons, the Swedish delegation would not be able to support the draft resolution.

Mr. Tell (Jordan) resumed the Chair.

34. Mr. NEAL (Liberia) expressed satisfaction with the report of the Secretary-General of UNCTAD entitled: "Review of International Trade and Development, 1966" [3] and the progress made by that organization; he was particularly glad that Mr. Prebisch had stressed the importance of priorities and had drawn attention to the danger of the proliferation of meetings (1078th meeting). He hoped that now that it had completed its administrative arrangements, UNCTAD would be able actively to set about the implementation of the recommendations of the first session of the Conference set out in the Final Act. In that connexion, his delegation favoured postponing the second session of UNCTAD until 1968.

35. His delegation, as a co-sponsor of draft resolution A/C.2/L.910, was disappointed at the rigid position taken by certain delegations, which had not even left the door open to a possible compromise on the question of a capital development fund. Some countries favoured the creation of an autonomous body, others advocated the gradual transformation of UNDP into a capital development fund and others were opposed to a capital development fund because they considered that there were already enough financial institutions to meet the needs of the developing countries. At first sight the arguments against the establishment of a capital development fund seemed logical: first, it was

[3] Official Records of the Trade and Development Board, Fourth Session, Annexes, agenda item 3, documents TD/B/82 and Add. 1-4.

feared that the result would be to disperse the resources now available; it was not anticipated that the total capital available for development would be increased by the establishment of a capital development fund; and it was held that existing institutions such as IBRD, the Special Fund component of the UNDP, regional development banks and the plans for supplementary financing were adequate for present requirements; and secondly, the transformation of the Special Fund component of the UNDP might adversely affect its important pre-investment functions. Nevertheless, his delegation considered that it was at least as logical to support the implementation of General Assembly resolution 1936 (XVIII) and UNCTAD recommendation A.IV.7. Available resources were still far from adequate to meet the needs of the developing countries, which required more capital to carry out their economic plans. The work of the new fund would not be hampered by the traditions and prejudices of existing institutions.

36. While it would seem somewhat contradictory to speak of checking the proliferation of agencies while at the same time setting up new ones, his delegation believed that in the present instance the main consideration should be the impact which the proposed capital development fund could have on the development of the Third World. He was convinced that the conservative attitude of existing institutions would only become more marked, and that an institution which was not open to political pressures could much better satisfy the needs of the developing countries.

37. His delegation was not inclined to accept the solution of gradually converting UNDP into a capital development fund, as that might be done at the expense of the Programme's pre-investment activities, which were of particular value to the less developed countries. It urged the opponents of the capital development fund to adopt a less rigid position and to indicate any changes in the draft statute which would make it more acceptable.

38. Mr. TARASOV (Union of Soviet Socialist Republics) said that the question of the establishment of a capital development fund was of the greatest topical interest, even though it had been under study for some fifteen years. However, it could be seen from the report of the Committee on a United Nations Capital Development Fund (A/6418) that, once again, that Committee had been unable to arrive at an agreed solution regarding the implementation of earlier decisions on the establishment of the fund and the launching of its operations. His delegation shared the disappointment of the developing countries at the lack of positive results in that field. The responsibility for that state of affairs rested with the Western countries, which, despite the explicit recommendations of the General Assembly and UNCTAD, were opposed to the establishment of the capital development fund and to investment activities being carried out within the framework of UNDP. The situation was also partly due to the fact that certain developing countries, yielding to pressure exerted by the Western Powers, had turned their backs on earlier decisions regarding the transformation of the Special Fund into a capital development fund and had thereby helped to make the financing of investment within the framework of UNDP impossible. Although stress had been laid on the transformations which the Special Fund had undergone and the new types of activities (pilot undertakings, model projects) with which it was concerned, nothing positive had yet been accomplished in that field; and the unused resources of the Special Fund, which were increasing by some $100 million a year, had on 1 January 1966 amounted to $400 million.

39. At the twentieth session of the General Assembly, the Soviet delegation had drawn attention to the fact that conditions were propitious for the transformation of the Special Fund into a capital development fund. It had opposed the merger of the Special Fund and the Expanded Programme of Technical Assistance proposed by the Western countries, arguing that such a measure would interfere with the establishment of a capital development fund. Unfortunately, most of the developing countries had supported that proposal. Moreover, they had in some measure encouraged the administration of UNDP, which shared the ideas of the Western countries on the subject, to ignore the decisions regarding the transformation of the Special Fund. The Administrator of UNDP did not conceal the fact that he was opposed to the Programme's undertaking investment activities, which, he argued, would require additional funds. That argument, which was undermined by the size of the Special Fund's present resources, was the basis for the Administrator's note to the Governing Council of UNDP [4] on the implementation of the recommendations of the General Assembly and UNCTAD concerning the gradual transformation of the Special Fund into a capital development fund. In it, he reaffirmed that all efforts and all resources should be devoted to pre-investment activities, in other words, to activities which enabled foreign monopolistic capital to penetrate the economies of the developing countries. That failure to comply with the decisions of the guiding bodies of the United Nations was supported by the Secretariat, which, in the report on that question, [5] had defended the arguments of the UNDP administration. Incidentally, the Governing Council of UNDP had not regarded that situation as satisfactory, as could be seen from the report on its second session, and had decided to consider the Administrator's note again at its third session. [6]

40. The position of the Soviet Government concerning the establishment of a capital development fund was well known, and had been reaffirmed in its reply to the Secretary-General's note verbale of 9 March 1966. The Soviet Government considered that the capital development fund should be established at the earliest possible date through the transformation of the Special Fund, with due regard to the new situation created by the latter's merger with EPTA. With the other socialist countries and many of the developing countries, the Soviet Union considered that UNDP could undertake investment activities with the means it already had at its disposal without impairing its pre-investment projects.

41. Despite the considerable work done by the Committee on a United Nations Capital Development Fund on

[4] DP/L.19.

[5] A/AC.102/9 and Corr.1 and Add.1.

[6] _Official Records of the Economic and Social Council, Forty-first Session, Supplement No. 11A_, para. 235.

a draft statute, the document before the Second Committee did not satisfy his delegation. Certain of its provisions were not in the interest of the developing countries. The first draft article, while its text had been improved, should have mentioned the financing of the public sector in the developing countries. The articles dealing with the recipients of assistance could also be made more precise. In the Soviet delegation's opinion, assistance should be extended to the Governments of the developing countries and not to private bodies or the ephemeral legal entities referred to in one of the variants of the draft. His delegation still considered unacceptable the provisions concerning representation on the Executive Board of economically more developed countries on the one hand, having due regard to their contributions to the capital development fund, and of developing countries on the other hand, taking into account the need for equitable geographical distribution among the latter members. Those provisions were undemocratic, and represented a retreat from the principles for the organization of technical assistance committees which had been applied before the merger of EPTA and the Special Fund. It was improper, moreover, to assign the actual responsibility for the practical operations of the fund to a single person—the Managing Director. In the case of the Special Fund, that state of affairs made it impossible for the Governments of the developing countries to plan the utilization of the assistance provided. They were not informed of the volume of assistance which the fund could put at their disposal, and did not know whether or not a request would be granted. The approval and even the choice of projects of the Special Fund depended on the Managing Director alone. The draft statute retained that humiliating procedure, which made recipient Governments dependent upon the machinery of the Special Fund. The Soviet delegation considered that it would be desirable to create a directorate of five members appointed by the Executive Board of the capital development fund, comprising two representatives of Western countries, two representatives of developing countries and one representative of the socialist countries. East member of the directorate would preside over it in turn for a fixed period.

42. It was also unacceptable that the draft statute limited membership of the Executive Board of the capital development fund to States Members of the United Nations and of the specialized agencies. The Soviet delegation considered that the draft statute should take into account the experience gained by UNDP and should represent fully the interests of the developing countries. The Governing Council of UNDP should be asked to consider at its third session the measures necessary for starting its 1968 investment activities as a first step towards the establishment of the United Nations capital development fund within the framework of the UNDP. It would also be useful if the Committee on a United Nations Capital Development Fund could draw up, in consultation with the Governing Council of UNDP, a statute for the capital development fund, taking into consideration the draft statute proposed and the amendments and reservations contained in document A/6418.

43. Once that task had been accomplished, the Second Committee and the General Assembly could take the necessary decisions in full knowledge of the facts.

The meeting rose at 6 p.m.

Litho in U.N. 77201—May 1967—2,200